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FISCAL POLICY MANUAL

BILLED CENTRAL SERVICE (INTERNAL SERVICE FUND) POLICY AND GUIDELINES

PREFACE

This policy is intended to provide guidance for calculating billing rates for all Billed Central Services. These rates should accurately reflect full costs in accordance with applicable regulations, particularly OMB Circular A-87, and generally accepted accounting principles (GAAP). Billing rate procedures should be consistently applied.

DEFINITIONS

Internal Service Fund: A governmental fund type used "... to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis." [GASB 1300.104, par. b.(2)]

Billed Central Service: Central services billed to benefited agencies and/or programs on an individual fee-for-service or similar basis.

Direct Cost: Any cost specifically identifiable with a particular cost objective. To be a direct cost, a cost must be both identified specifically with a cost objective and be incurred specifically for a particular cost objective.

Agency Indirect Cost: Any cost not directly identified with a single, final cost objective, or included in Section 1 of the Statewide Cost Allocation Plan, but identified with two or more final cost objectives or with an intermediate cost objective.

Statewide Indirect Costs: The costs of central services benefiting operating agencies, but not billed to the agencies. The Division of Financial Management allocates these costs to agencies through Section I of the Statewide Cost Allocation Plan prepared.

POLICY

Each Billed Central Service will develop billing rates accurately reflecting the full cost of providing the service. The billing rate will be developed in accordance with GAAP, GASB, applicable State and Federal laws and regulations, and will include Direct and Agency Indirect Costs. Each Billed Central Service should develop detailed written procedures for cost accumulation, rate development, and billing.

FISCAL IMPACT

None

ADMINISTRATIVE PROCEDURES

The State Controller, in conjunction with state agencies, will determine which funds qualify under this policy as internal service funds (ISF) and will provide the Division of Financial Management (DFM) and the State Treasurer a listing of those funds annually.

A billing rate development methodology for each Billed Central Service must be submitted to the DFM by each ISF.

Rates shall be reviewed at least annually (preferably more frequently) to determine if a rate adjustment may be needed in the future to address any developing significant over/under recoveries. Prior to adjusting established rates, or determining new rates, a reconciliation will be performed comparing actual costs of providing the service to the total costs recovered through the existing billing rate. Any over/under recovery shall be taken into consideration when developing the new billing rates.

The agency will notify DFM, in time for budgetary consideration, when any changes are anticipated. The ISF should notify users, as soon as practical, of potential rate adjustments.